INFORMATION BULLETIN

Expanded Tax-Free Rollovers to TRS

May 2003

Overview

The passage of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) substantially increased the rollover options of TRS members. The new EGTRRA rollover provisions were effective January 1, 2002.

TRS Rollover Definition

A distribution of tax sheltered monies from an eligible retirement plan that is transferred directly to TRS to pay for the purchase of optional service, reinstatement of terminated service, payment of 2.2 upgrade contributions, or for the member Early Retirement Option (ERO) contribution.

Rollover Advantages

- It is money you already saved that may be transferred from one type of retirement plan to another.
- Rollover monies are not subject to federal contribution limits that might otherwise apply. Monies accumulated in eligible savings and retirement plans grow more rapidly because income taxes are deferred.

Permissible Rollovers

TRS can accept rollover contributions (other than after-tax contributions) from:

- another qualified Section 401(a) or 401(k) or Keogh plan;
- an annuity plan described in Internal Revenue Code (IRC), Section 403(a);
- a tax-sheltered annuity contract described in IRC, Section 403(b);
- an individual retirement account or annuity (IRA) under IRC, Section 408(a) or Section 408(b) that is eligible to be rolled over and would otherwise be included in gross income;
- a *conduit* individual retirement account described in IRC, Section 408(d);
- a Simplified Employee Pensions Plan (SEP) under IRC, Section 408(k);
- a Savings Incentive Match Plan for Employees (Simple IRA) under IRC, Section 408(p), if there has been participation in the plan for at least two years; and
- an eligible deferred compensation plan under IRC, Section 457(b) which is maintained by a state, political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

Additionally, TRS will also accept spousal rollovers of distributions from Section 401(a), 401(k), Keogh, 403(a), 403(b) and 457(b) plans that the member's deceased spouse participated in or that have been divided by a Qualified Domestic Relations Order.

Roth IRAs are not rollover eligible.

TRS rollover procedures

Rollovers provide an easy method to use pretax money to increase your TRS benefit.

Before initiating a rollover, you must confirm that your plan administrator or custodian will complete and sign the Trustee to Trustee Trans-

2815 West Washington
P.O. Box 19253
Springfield, Illinois 62794-9253
Teachers' Retirement System
of the State of Illinois
(800) 877-7896
members@trs.state.il.us

fer/ Rollover Certification form, which is required by federal law. Restrictions may apply, especially with IRAs.

To start the rollover process, a member must first establish an accounts receivable for the purchase of optional service credit, to repay a refund, to pay the 2.2 upgrade contribution, or to pay the member Early Retirement Option contribution. The amount rolled over cannot exceed the receivable balance(s). If the rollover check is for a larger amount, it will be returned. Please note that TRS cannot accept a rollover as payment for balances that are currently being paid for by a Payroll Deduction Program agreement.

TRS cannot process the payment without a correctly completed Trustee to Trustee Transfer/ Rollover Certification form that provides written confirmation from the transferring plan that the amounts deposited are eligible for rollover treatment. The form must be completed by both the member and the plan administrator or custodian issuing the rollover check to TRS.

Limitations

EGTRRA's expanded rollover provisions will not apply after **December 31, 2010.**

Questions

If you have questions regarding the type of plan you have available to rollover, contact your plan administrator or custodian. If you have questions regarding our rollover requirements, contact us at the addresses or telephone numbers below.

Teachers' Retirement System
2815 West Washington Street
P.O. Box 19253
Springfield, Illinois 62794-9253

members@trs.state.il.us

(800) 877-7896 or (217) 753-0361

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